

APPENDIX B26: EVALUATING OFFERS OF GOVERNMENT SURPLUS MATERIAL

I. POLICY:

DLA policy is to consider offers of surplus material in accordance with solicitation requirements and to make optimum use of surplus material when acceptance of such offers is in the best interest of the Government. This policy is intended to ensure that offers of surplus material receive consistent, timely and reasonable treatment. It is also intended to clarify DLA procedures and maximize streamlining.

In all cases, surplus material accepted by the Government must conform to technical requirements in the solicitation. Proper consideration of surplus offers can significantly reduce material cost and delivery time, which benefits our customers and makes DLA a more attractive source of supply. Surplus material is usually readily available, which can make it particularly valuable for satisfying urgent requirements. The nature of our business situation demands that we prudently use the services of surplus dealers, who provide a warehousing capability that helps meet our un-programmed demands for material. Refer to Defense Logistics Acquisition Directive (DLAD) Subpart 11.3. The DLAD can be electronically accessed <http://www.dla.mil/Acquisition/Pages/DLAD.aspx>

II. RESPONSIBILITIES:

Integrated Supplier Teams (ISTs):

Determine whether an offer of surplus material will be evaluated in accordance with the criteria below (refer to DLAD 11.302(b)(91)(i) and the solicitation provision at DLAD 52.211-9003, Conditions for Evaluation of Offers of Government Surplus Material). (This does not apply unless offers of surplus material are being considered; see below.)

- Offers of surplus material must be evaluated when the Acquisition Specialist determines the offeror is otherwise in line for award, after adding the cost of evaluation (\$500 for internal evaluation and, if applicable, an additional \$600 for each Engineering Support Activity (ESA) evaluation, plus any additional fees required for testing and/or inspection).
- When an offer is for a quantity less than the solicited quantity, the Acquisition Specialist must consider the \$600 cost of issuing and administering more than one award (see FAR 52.214-22), unless the Supply Planner advises the remaining quantity can be cancelled. The Acquisition Specialist must also consider the anticipated impact on the unit price of the remaining quantity, to determine the

total cost to the Government, unless the unit price is not known and not reasonably obtainable by the Acquisition Specialist.

Do not evaluate offers of surplus material when the Product Specialist (PS) has included a statement in the Material Master, Internal Comments on the Purchase Request (PR) trailer advising that offers of surplus material will not be considered for specified items or categories of items. The ESA must provide supporting documentation in sufficient detail to demonstrate that the restriction is necessary to satisfy the needs of the Government.

Establish internal procedures to ensure that offers of surplus material are processed in accordance with the policy in DLAD Subpart 11.3 and this Appendix.

- Ensure that actions related to referrals, evaluations, notification of offerors, and award decisions are made in a consistent, timely and reasonable manner, in order to provide the customer with a less expensive product in a shorter time frame.
- Ensure that the following conditions, in and of themselves, are not treated as an acceptable basis for excluding an offer of surplus material from consideration:
 - Dollar value of the acquisition
 - Age of the offered material
 - When the buy is for stock
 - When the offer is for less than the solicited quantity
 - When material is not in its original package
 - Past or average Engineering Support Activity (ESA) response times, unless substantiated by data specific to evaluations of surplus offers by the cognizant ESA
 - When the original Government contract number identified by the surplus dealer cannot be found in the Government contract historical files
- For automated offers, ensure that supporting documentation provided by an offeror of surplus material is promptly distributed to the Acquisition Specialist for timely consideration.
- Ensure that technical acceptability of an offer of surplus material is applied only to the current procurement.

Ensure that the Product Specialist has considered all information provided by the offeror concerning technical acceptability of the offered surplus material. If the surplus material is found to be technically unacceptable, the Product Specialist must document the specific technical reasons why the surplus material is technically unacceptable.

Ensure that when acquiring critical safety items, offerors meet the additional requirements in DLAD 52.211-9005 (see DLAD 11.302-91).

III. PROCEDURES:

A. The Product Specialist (PS) will:

1. Ensure a statement is included in the Material Master, Purchase Order Text and the Material Master, Internal Comments when the ESA has provided written notice that offers of surplus material will not be considered for specified items or categories of items. The ESA must provide supporting documentation in sufficient detail to demonstrate the restriction is necessary to satisfy the needs of the Government. (Refer to DLAD 11.302(b)(91)(ii) and the solicitation provision at DLAD 52.211-9009, Non-Acceptability of Government Surplus Material.)
2. When offerors of surplus material are not authorized to open packages for inspection purposes, due to the nature of the item being acquired or for some other reason, annotate appropriate statements into the Material Master, Purchase Order Text and Internal Comments prior to releasing a PR to Procurement.

B. Technical Review

Determine the technical acceptability of surplus material offered in response to a current solicitation in accordance with the procedures in this Appendix.

Note: the ISTs must ensure that all information provided by the offeror concerning technical acceptability has been considered.

Use DLAI 3200.1, Engineering Support Procedures for Items Supplied by DLA, and this Deskbook to determine when engineering support is required from an ESA. Offers of surplus material can be evaluated and accepted provided there's sufficient documentation clearly indicating the surplus material being offered meets the requirements in the solicitation. All surplus offers for items identified as Critical Safety Items must be approved by the cognizant ESA. In addition, other items identified by a Special Procedures Category (SPC) code in the Material Master, Classification Tab, Prod Assurance may also require approval by the cognizant ESA when specified by the SPC.

If the ESA has recommended testing but has not provided a test plan and an estimation of testing costs, the PS will request the necessary information before proceeding with response to Procurement.

The PS can **reject** an offer of surplus material without ESA coordination, provided the item being offered no longer meets the needs of the Government or is significantly different from that being solicited; there is insufficient documentation for either the buying activity or the ESA to make an informed decision; or the offer is not in the best interest of the Government.

1. Product Specialist Surplus Evaluation Procedures
 - a. Use the relevant information provided by the Acquisition Specialist to help prioritize the evaluation request (e.g., the priority or urgency of the requirement, whether backorders exist, anticipated savings in unit price and/or

delivery time if the surplus offer is approved, whether there are other sources or the surplus offer is the only offer received, etc.).

- b. Review all information provided by the offeror in the clause at DLAD 52.211-9000, Government Surplus Material, to determine the acceptability of the offer. **(While it is preferred that an offeror fill out the clause completely, failure to provide all information is not a basis for automatic rejection of the surplus offer.)** Offers of surplus material require supporting documentation to demonstrate that the material being offered was previously owned by the Government (see below).
 - 1.) The surplus material offered must conform to the technical requirements in the solicitation. This includes the revision number, if any, designated in the solicitation except when the Product Specialist can determine that the revision offered does not affect form, fit, function, or interface.
 - 2.) Information provided in the clause at DLAD 52.211-9000 and any supporting documentation must be sufficient to demonstrate that the material being offered was previously owned by the Government (except for the circumstances described in paragraph e. below).
 - a.) For national or local sales conducted by sealed bid, spot bid, or auction methods, a solicitation/Invitation For Bid (IFB) identifies items by sales item/lot number and National Stock Number (NSN)/Local Stock Number (LSN). Coupled with the DRMS Form 1427, Notice of Award, Statement and Release Document, which documents the sale by sales item/lot number, these documents provide the traceability from the sale by the Government, with quantity and condition, to receipt by the purchaser. They also demonstrate that the Government once owned the material.
 - b.) For DRMS Commercial Venture (CV) sales, the shipment receipt/delivery pass document identifies items sold to the original surplus sales purchaser by NSN/LSN nomenclature, Disposal Turn-In Document (DTID) Number and/or requisition number, delivery order number, and line item number. Invoices/receipts used by the original purchaser to resell this property allow traceability back to the original documentation through the invoice number, sale/resale number, lot number, and/or DTID Number.
 - c.) For DRMS Recycling Control Point (RCP) term sales, the statement of account (billing document) identifies items sold by NSN and requisition number. This requisition number will match the requisition number on the shipping document that accompanies the property.
 - d.) For property sold under the exchange or sale regulation, conducted by sealed bid, auction or retail methods, an IFB and corresponding DRMS Form 1427 provide the required traceability.
 - e.) When the above documents are not available, or if they do not identify the specific NSN being purchased, the Product Specialist must

consider any information included in the offer that could reasonably be used to demonstrate that the material being offered was previously owned by the Government.

- When offered surplus material is in its original package, the original package markings and data (including NSN, Commercial and Government Entity (CAGE) code and part number, and original contract number) can be used to demonstrate that the material was previously owned by the Government. The offeror can provide this information in its offer, or provide a copy or facsimile of package markings (refer to DLAD 52.211-9000).
- If a manufacturer does not include the Government contract number on its packaging labels, then the date of manufacture, if known, can be used to check for quality discrepancies (see paragraph 3 below). If appropriate, inspection or testing can be invoked (see paragraph 4 below); and/or approval can be requested from the cognizant ESA(s). However, the additional cost required for inspection/testing or ESA referral must be provided to the Acquisition Specialist, who will add it to the surplus offeror's evaluated price. If the surplus offeror is no longer in line for award, the surplus offer will be rejected by the Acquisition Specialist.

- 3.) Check for any deficiencies registered against the NSN/material and Contract number for the surplus item being offered. If the contract number is not available, check for Product Quality Discrepancy Reports (PQDRs) by NSN; if date of manufacture is known, check for PQDRs after that date. Use EBS Quality Notifications, Product Data Reporting and Evaluation Program (PDREP), Joint Deficiency Reporting System (JDRS), and the Quality Evaluation Program (QEP) to determine if deficiencies exist for the surplus item being offered. If no records of quality deficiencies exist due to the age of the contract or for other reasons, then alternative means, such as inspection or testing, may be used as appropriate to determine quality of material, especially if the item is designated as critical application. However, the additional cost required for inspection/testing (or ESA referral, if applicable) must be provided to the Acquisition Specialist, who will add it to the surplus offeror's evaluated price. If the surplus offeror is no longer in line for award, the surplus offer will be rejected by the Acquisition Specialist.
- 4.) If no deficiencies are found against the NSN or contract number, check for deficiencies registered against the original contractor/manufacturer, if known. A deficiency against the original contractor/manufacturer may not be grounds for rejection of the surplus offer, however the DSC must consider whether to require inspection or testing of the surplus material (see Section C. below); special quality assurance requirements; and/or approval from the cognizant ESA(s). However, the additional cost

required to accomplish any of these measures must be provided to the Acquisition Specialist, who will add it to the surplus offeror's evaluated price. If the surplus offeror is no longer in line for award, the surplus offer will be rejected by the Acquisition Specialist.

- 5.) Before determining surplus material technically acceptable, review the Demilitarization (DEMIL) code in the Total Item Record (TIR).

Refer to DOD 4100.39-M (Volume 10, Table 38) FLIS Procedures Manual Multiple Application References/Instructions/Tables and Grids; and DOD 4160.28.M, Volumes 1 thru 3, Defense Demilitarization Manual.

Items with DEMIL code of A or Q are acceptable.

When material has a current DEMIL code of B, C, D, E, F, G, or P it should not be automatically rejected. Additional measures (for example inspection or testing, or installation in the next higher assembly) must be undertaken to verify that the material is acceptable for use or functions properly. For guidance on these codes, contact your local DEMIL Business Process Analyst (BPA). The additional costs required to accomplish these measures must be provided to the Acquisition Specialist, who will add it to the surplus offeror's evaluated price. If the offeror is no longer in line for award, the Acquisition Specialist will reject the surplus offer. In any event, notify DLA Criminal Investigations Activity (DCIA), which will determine if any further action is required.

- c. Documentation provided by offerors of surplus material (refer to DLAD 52.211-9000(e)) is a good indication that the material sold under the documentation is the same material being offered back to the Government. However, it cannot be considered an absolute guarantee that other material has not been substituted for the material actually sold. Inspection or testing, quality assurance requirements, and/or ESA referrals must be used when such measures can be justified as necessary to protect the Government from an unacceptable level of risk. The additional cost required to accomplish any of these measures must be provided to the Acquisition Specialist, who will add it to the surplus offeror's evaluated price. If the surplus offeror is no longer in line for award, the surplus offer will be rejected by the Acquisition Specialist.
- d. When the offer of surplus material is found to be technically acceptable, return the PR and advise the Acquisition Specialist. Forward any inspection or testing requirements to the Acquisition Specialist for incorporation into the award.
- e. If the offer of surplus material is found to be technically unacceptable, return the PR and advise the Acquisition Specialist. Document the "specific" reason(s) why the surplus material is unacceptable. A general statement, such as, Surplus material manufactured to a different drawing revision level is not allowed. The PS must describe the specific technical reason(s) between the different drawing revisions that makes the surplus material unacceptable for use. The PS must also provide this information to the Acquisition Specialist.

2. Procedures for Surplus Evaluations sent to the ESA
 - a. When ESA evaluation is required, suspending a PR requires the approval of the Supply Planner within the IST or the Customer Account Specialist (CAS) in the Customer Relationship Management teams. Obtain the approval of the Supply Planner or the CAS prior to suspending the PR, to determine if award can be delayed pending ESA approval/disapproval. Do not prepare the DLA 339, Request for Engineering Support, until the Supply Planner or CAS has agreed to suspend the buy. Based on when the material is needed, either for delivery to the depot or direct to the customer, advise the Supply Planner or CAS whether or not the ESA can respond in sufficient time to permit the material to be delivered when required. ESA response time for a Surplus Offer evaluation is 30 days. The ESA response time for an Emergency requirement is 15 days. An emergency requirement is defined as Non-Mission Capable Supply (NMCS), Mission Impaired Capability Awaiting Parts (MICAP), Casualty Report (CASREP), Emergency Supply Operations Center (ESOC) or Readiness Wedge.
 - b. If the item being acquired is otherwise procurable, and the Supply Planner or CAS does not concur in delaying the award, reinstate the PR and advise the Acquisition Specialist. (However, the Supply Planner or CAS must concur in an ESA referral if the time to affect delivery from the offeror next in line for award is expected to exceed the time to evaluate and affect delivery of the surplus material.) The Supply Planner or CAS must document the reasons why award cannot be delayed and forward this rationale to the Acquisition Specialist. Award may be made to the offeror next in line for award; however, award must not be made for a quantity that exceeds the immediate need (e.g., the backordered quantities).
 - c. If the Supply Planner or CAS concurs in delaying the award, prepare and process the DLA 339 Request for Engineering Support . Attach to the DLA 339 the clause at DLAD 52.211-9000 as completed by the offeror, all supporting documentation provided by the offeror, and all relevant information provided by the Acquisition Specialist to help prioritize the evaluation request.
 - d. Upon receipt of the DLA 339 from the ESA, return the PR and provide the results of the ESA evaluation to the Acquisition Specialist. Note: see paragraph 2.) below for “re-evaluation” procedures.
 - 1.) Advise the Acquisition Specialist if the ESA evaluation found the offer of surplus material to be technically acceptable. Forward any inspection/testing requirements required by the ESA for incorporation into the award. If the inspection/testing requirements will affect future buys, ensure they are entered in Material Master, Internal Comments.

- 2.) If the ESA evaluation found the offer technically unacceptable, ensure that the response from the ESA provides adequate criteria for rejection. (A general statement, such as “offeror failed to provide adequate information to show that the item is acceptable,” is not adequate documentation.) If rationale is adequate, return the PR, and advise the Acquisition Specialist why the offer is technically unacceptable. If the response from the ESA does not provide adequate criteria for rejection, contact the ESA orally or by email to clarify the rejection criteria, if the issues can be resolved in a brief discussion; otherwise, contact the Supply Planner or CAS to determine if consideration of the surplus offer can continue, pending re-evaluation of the DLA 339 by the ESA. Advise the Supply Planner or CAS how long the ESA would require to respond to a request for re-evaluation. (Establish the estimated timeframe using the procedures in paragraph a. above). If the Supply Planner or CAS concurs in continuing the evaluation, return the DLA 339 to the ESA, citing the deficiencies in the rejection criteria. If the item being acquired is otherwise procurable and the Supply Planner or CAS does not concur in continuing the evaluation, return the PR and advise the Acquisition Specialist. The Supply Planner or CAS must document the reasons why award cannot be further delayed and forward this rationale to the Acquisition Specialist. Award may be made to the offeror next in line for award; however, award must not be made for a quantity that exceeds the immediate need (e.g., the backordered quantities).
- 3.) If the item being acquired is otherwise procurable, and the ESA does not respond to a DLA 339 within the established timeframes shown in paragraph a. above, follow the procedures shown below. Also coordinate with the Supply Planner or CAS to validate the urgency of the requirement.

If there is an urgent/high priority need to fulfill the requirement, contact the ESA immediately to determine the status of the evaluation. If the Supply Planner or CAS confirms that the anticipated ESA response date will cause an unacceptable delay, advise the Acquisition Specialist and forward the Supply Planner’s or CAS’ rationale why the evaluation cannot continue. Award may be made to the offeror next in line for award; however, award must not be made for a quantity that exceeds the immediate need (e.g., the backordered quantities).

If there is not an immediate need, obtain approval from the Supply Planner or CAS to extend the ESA response time. Contact the ESA to determine how much additional time will be required to complete the evaluation, and advise the Supply Planner or CAS. If the item being acquired is otherwise procurable and the Supply Planner or CAS does not concur in continuing the evaluation, advise the Acquisition Specialist and forward the s Supply Planner’s or CAS’ rationale why the evaluation cannot continue.

Award may be made to the offeror next in line for award; however, award must not be made for a quantity that exceeds the immediate need (e.g., the backordered quantities).

3. Surplus Evaluation Procedures Regarding Future Procurements

- a. When a technical evaluation, either in-house or by an ESA, results in any determination that will affect the consideration of offers of surplus material on future buys of the item in addition to the current procurement, ensure that the Material Master, Internal Comments contains an appropriate notice and any testing/inspection requirements.
- b. When an offer of surplus material cannot be considered for the current procurement, do not request ESA approval to acquire the surplus material for future buys. Technical acceptability of an offer of surplus material applies only to the current procurement in response to which the offer is made. Each offer of surplus material must be evaluated on a case-by-case basis, because the conditions of the offer may not be the same on subsequent buys. (Some variables that might affect the technical acceptability of an offer of surplus material for future buys include, but are not limited to, whether the offeror still possesses the material; whether the technical requirements have changed; and/or the condition of specific material being offered.)

C. Quality Assurance Review

The PS will develop a QALI when the Acquisition Specialist advises that an award was made for a CSI on an ESA approved surplus item. Under such conditions, Government Source Inspection (GSI) is mandatory without exception. (Refer to DLAD 5025.30 Section 11.302.91(b)(2) for further guidance) Mandatory GSI on surplus contracts for non CSIs, including critical application, items is not required. Include the following in each QALI, as directed by the Acquisition Specialist:

- A copy of the completed clause at 52.211-9000, with instructions to verify the representations and documentation provided by the offeror. Inspection criteria must be consistent with the basis for determining the surplus material acceptable. (For example, if previous Government ownership was demonstrated by documentation other than a Government contract number, the current contract and/or the QALI must not require the surplus material to be identified to a previous Government contract.) Inspection criteria must include inspection or testing requirements forwarded by the Product Specialist, if any. (Criteria may also include dimensional inspection, if appropriate; or destructive testing, depending on the age of the material. As appropriate, the Acquisition Specialist will request the recommendation of the Product Specialist concerning the need for additional criteria.)
- A requirement for the QAR to notify the Acquisition Specialist if, at the time of Government source inspection, the QAR is denied access to the contractor's plant or not permitted to select the material to be inspected.

If higher-level quality requirements apply to the material being acquired and award has been made to a surplus dealer, do not include the higher level quality requirement in the award; or any other clauses that only apply to manufacturers.

D. Surplus Material Inspection and/or Testing

Most recommendations of acceptance or rejection of surplus material by the Product Specialist (PS) should be established after review of the associated surplus clause, 52.211-9000, without the means of further inspection and/or testing.

Determine if any special inspection and testing is required. The additional costs required to accomplish this must be added to the surplus offeror's evaluated price; and if the surplus offeror is no longer in line for award, the surplus offer should be rejected. Document the inspection and testing requirement in sufficient detail to demonstrate it is necessary to satisfy the needs of the Government. Justifications may be applied on an individual or class basis. The inspection or testing must be done in the pre-award phase. If it is determined that inspection or testing requirements will affect the consideration of offers of surplus material on future buys for the item being acquired, in addition to the current procurement, ensure these requirements are entered in the Material Master, Internal Comments. If testing and/or inspection will be conducted at the time of source inspection, contract requirements must ensure the Government has the right to access contractor premises and to select the surplus material to be inspected or tested. Examples of situations when it may be necessary to require special testing and/or inspection include, but are not limited to, the following:

1. When material is of a critical nature
2. Age of material
3. When material has a shelf life
4. When material is identified as hazardous
5. When material contains a lubricant that may deteriorate over time
6. When original contractor, manufacturer, surplus offeror, or item has a history of quality discrepancies, or when quality history is not available
7. When a prequalification requirement applies to the material being acquired and the material being offered was not subject to the prequalification requirement at the time it was manufactured.

After thorough evaluation of the surplus offer and the determination that the only alternative is to have the material tested, the PS will:

- Notify the Acquisition Specialist that the surplus material is recommended for approval dependent upon testing results.
- Obtain and provide estimated testing time and cost for evaluation purposes.
- Initiate ZT Notification for testing if award is going to be given to surplus dealer.
 - Provide testing requirements for inclusion in the proposed contract

- Once contract is awarded, submit a request for surplus material testing to the Product Verification Program (PVP) Office containing the following information:
 - Awarded Contract Number and NSN.
 - Location of the material.
 - Test requirements/data if available.
 - Characteristics to be tested.
 - Sample size.
 - Final disposition instructions upon completion of testing.

The PVP Office will:

- Select and notify the test laboratory.
- Arrange funding as needed.
- Issue the project/work order to the test laboratory.
- Provide shipping instructions to the PS.

The PS will (upon receipt of ZT Notification from the PVP Office):

- Provide detailed shipping/disposition instructions (i.e. marking instructions, address) to the Contracting Officer.

The PVP Office will (upon completion of testing):

- Comply with disposition instructions in the contract or provided by the PS.
- Provide a copy of the test results to the PS.

The PS will (upon receiving the test results):

- Evaluate test results and notify the Acquisition Specialist of lot acceptance or rejection.
 - If lot is rejected, provide justification for failure.